



A CRITICAL ANALYSIS OF ETHICAL OUTSOURCING USING COMPARATIVE CASE EXAMINATION AND ELICITING CONSUMER MILLENNIALS PERSPECTIVES

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Abstract:

In the United States, highly competitive market outsourcing benefits are correlated to low consumer prices, growth in sales, and taking over market shares leaving competitors tailgating your organization. The high costs associated with adhering to the United States manufacturing regulations that include adherence to Clean Air Act that controls the pollution levels; Clean Water Act; Occupation Safety and Health Act; labor; and disposal regulations among others are leading reasons for the attraction of companies to outsource to global markets that have fewer regulations. Global outsourcing ventures in manufacturing sectors carry a perception of unethical conduct that involves long hour with low wages, physically abused, and poor working conditions, among consumers. The researchers' objective was for an opportunity to acquire and understand millennials perspectives on the integration of individual moral values with ethics and millennials personal implications on sustainable development in Apple's manufacture outsourcing. Consumer millennials decision to purchase Apple products contributes to Apple's sustainability development; would the millennial's access to the unethical practices in the manufacturing sway purchasing decisions. The face to face interviews gained insight if millennials considered individual morals and ethics in making purchasing decisions. The interviewed population for the research was millennials ages 18 to 34 who are today's highest shoppers as documented and the majority workforce by 2020.

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1. Introduction

Outsourcing as a practice of seeking efforts of companies to cut costs thus taking the route of moving out jobs from their specific home base to outside borders to gain access skilled workforce and latest technology while gaining a competitive edge and time to focus on core competencies (Feenstra & Hanson, 1996; Mboga, 2013; Quinn & Hilmer, 1994). Outsourcing with its roots dating back in the 1700 saw growth in the 1990s and made countries such as India, Mexico, China, and Philippines gained global presence for their attractive manpower at affordable wages the elements that clients were in the market (David, 2007; Niranjana & Rao, 2011). To share pioneer companies in outsourcing history, Forbes noted that CEO Raman Roy who was referred to as the “father of the Indian Business Process Outsourcing Industry” led Quatrro outsourcing firm and remembered pointing on the global map the location of India to Global clients (David, 2007). To show how India’s become an attraction to clients such as General Electric and American Express who outsourced to India in the 1990s; their outsourcing support especially the service sector boasted a 30% growth within five years, exports a net worth of \$24 billion, and employed 1.6 million people (David, 2007). The outsourcing trend kept its pace even to today with Forbes documenting about U.S. 3 million white-collar jobs outsourced to outside boards; this was an increase from 300,000 in 2003 (DiCarlo, 2003).

Outsourcing, especially in the manufacturing sector in the United States unlike the global platforms has stringent laws that contribute to high cost in manufacturing thus impacting sales cost and profit markings. United States manufacturing stringent laws include adherence of Clean Air Act that controls the pollution levels; Clean Water Act; Environmental Protection Agency; Toxic Substances Control Act; Occupation Safety and Health Act (HG. Org, 2017). These United States regulation among others are a contributor to global outsourcing to markets that have fewer regulations and where the companies have access to high skilled workforce, access to high technology and low wages among others.

In today’s market, we see more emerging markets in outsourcing; the top 10 countries per Raconteur include Bulgaria with capabilities to host IT centers such as SAP and CSC (Hopkins, 2015). The attraction comes with the positive stamping that Bulgaria ranked 38 out of 189 by World Bank’s annual rating for Ease of Doing Business Index (Hopkins, 2015; Novite, 2015). Although Brazil’s economy has been plummeting with inflation at 12 year high, the country is a powerhouse for software with ease in

setting up services in Sao Paulo, Curitiba, Rio De Janeiro, Campinas, and Porto Alegre and high ranked by A.T. Kearney's Global Services Location Index in 2014 (Hopkins, 2015; The Economist, 2017). Other emerging countries include Costa Rica which is known for research and development between industries and universities and ranked 34 worldwide by The World Economic Forum and the Czech Republic that ranked 36 out of 189 by World Bank's Annual Ease of Doing Business Index (Hopkins, 2015; Monge-Gonzalez, 2016). Companies that include Tieto and T-Systems; Accenture; Infosys; Atos; HP; CSC; IBM; and Fujitsu operate in Czech Republic which is well known its IT service skills that include infrastructure management, application services, and outsourcing competencies (Hopkins, 2015; Trendall, 2016).

Egypt is an emerging market for outsourcing as shared by Kerry Hallard from the National Outsourcing Association because of its population of 85 million of which 50% are under 25 years of age and a graduate pool of 500, 000 students; despite Egypt being an attractive location for IT capabilities the political unpredictability has held companies back (Hopkins, 2015; Willcocks, Griffiths, & Kotlarsky, 2009). Raconteur also documented that Hungary can support infrastructure management services and business process outsourcing even with its low foreign-language proficiency; on the contrary Malaysia has English language proficiency with more than 135, 000 graduates with bachelor degrees annually thus making Malaysia attractive to business from United States and the UK offering IT service capabilities (Hopkins, 2015; Khanna, Palepu, & Sinha, 2005). Additionally, the proximity of Mexico to the US along with its capability to have strong language skills, and 500,000 strong workforces has been an attraction for US companies (Hopkins, 2015; Lebeaux, 2009); while Portugal with its 12% rate of unemployment is an attractive geographical location for IT services to neighboring Europe; and Vietnam is attractive for a young well-trained labor force that is quick to adapt to technology, are hardworking, and eager to work (Hopkins, 2015; Khalip, 2013; Orton-Jones, 2015).

The researchers' objective was for an opportunity to acquire and understand millennials perspectives on the integration of individual moral values with ethics and millennials personal implications on sustainable development in Apple's manufacture outsourcing. The research focused on millennials because of their adoption of smart devices with 85% ages 18-24, 86.2% ages 25 – 34, 72.4% females, and 70.3% males (see Appendix A) owning smartphones as confirmed by Nielson as reported in TechCruch (Perez, 2014). The millennials perspective was essential to research and document as they will hold most of the positions in the workforce by 2020 as confirmed by Fortune (Hyder, 2016).

2. Literature Analysis

2.1 Ethical outsourcing

The advantages range from cost reduction; free time from time-consuming duties; access to skilled labor force; and give the client access to latest software and infrastructure with the management of the infrastructure being handled by the outsourcing company (Hamlett, 2017; Triulzi, 1997; Innocenti & Labory, 2002). The effort to keep overhead costs low and remain sustainable has contributed to many United States companies seeking emerging markets as new homes for operating their business (Bettis, Bradley, & Hamel, 1992; McIvor, 2008). Ford and Apple both pride themselves as American brands but outsource most of their operations overseas; recent reported cases of unethical conduct in Apple's third party Foxconn factory in China brought on public criticism Apple's practices (Duhigg & Bradsher, 2012).

2.2 Human infringement by Apples Manufacturer – Foxconn

The global market is attractive but where did it all go wrong? Unethical conduct in outsourcing that spread like wildfire in the Tech industry was tied to Apple. Apple is a company that was founded in 1976 in the United States, and as reported by Forbes it has 110,000 employees, sales of \$233.27B (see sales growth over years in Appendix B), and a net worth of \$586 billion with 1 billion users worldwide (Forbes, 2016; Mastroianni, 2016; Rosoff, 2016; Statt, 2016). The survey conducted by CNBC'S with 836 Americans in 2012 confirmed that on average household with \$75,000 or more that comprises of 77% owned Apple products (Gralnick, 2012; Mashable, 2012). There also existed a likelihood of 61% of households with kids to likely purchase Apple products while 48% of household without kids would rarely purchase Apple products (Gralnick, 2012; Mashable, 2012).

As shared by CBS News there are 1 billion Apple product users worldwide; a visual of Apple's revenue is shared in Appendix C and confirms an upward trend in revenue since 2004 all the way to 2015 and a little of a drop in 2016 (Mastroianni, 2016; Rasoff, 2016). The upward trend in revenue continues even when there are current cases of unethical behavior by a company that Apple has outsourced their manufacturing known as Foxconn (Apple Press Release, 2016). The unethical conduct dates as far back to the beginning of the partnership with Apple and Foxconn and continue up to today with current documentation by Forbes in August 2016 where a Foxconn employee jumped off the Zhengzhou building in china ending his life for the infamously demanding working conditions (Sin, 2016).

Several cases have come to light; media sources have scrutinized Apple for many years for the unfair working conditions in the Foxconn factories. The media shed light on the unethical events that happened at Apple manufacturing plant to include wrongful treatment, long working hours that exceed 11 hours with breaks given at managers' digression, and a monthly overtime of 80 hours even with 36-hour overtime limit per Chinese labor laws (Josephs, 2014; Chan, 2013). Specifically, the unfair working conditions included unfair treatment of workers by the management team that led to multiple suicides and strikes that would hinder manufacturing to meet the growing demand for Apple products (Josephs, 2014; Chan & Pun, 2010).

Fortune documented 1,000,000 number of employees working for Apple's in China in operations that run 24 hours and 7 days a week; to share details 300,000 employees are assigned to manufacture 500,000 iPhones daily on the Zhengzhou site (Elmer-DeWitt, November 23, 2013). The only way to meet the high demands of the iPhones production among other products that Apple was to mandate employees to work without breaks and excessive of overtime; the unethical conduct contributed media scrutiny and in 2012 Apple responded to the media scrutiny by hiring Fair Labor Association (FLA) to investigate the Foxconn working conditions and the audit findings confirmed that Foxconn failed the audit (Watch, 2012; Oremus, 2012). Apple came to an agreement with Foxconn to adhere to regulations set forth for them; the agreement included wages that would be doubled, reduction of work hours to 60, and limitation in overtime (Watch, 2012; Oremus, 2012).

2.3 Unethical circumstances under Apple

To detail the infringement of humans under the name Apple, with the low wages workers are worked to death and forced to work overtime up to 98 hours a month; a rush production would mean that employees are woken up in the middle of the night to meet the demands required of Foxconn to produce (Cooper, 2013). Steve Jobs was documented by Business Insider to have demanded production to meet deadline of iPhone when the prototype he had been carrying had scratches; quote *"I want a glass screen"*, *"I want it perfect in six weeks"* and no matter what Foxconn had to respond to the request regardless if the employees had worked a 14-hour day, they would still be woken up to complete the expected order for no extra pay for the time worked (Blodget, 2012). Among the unbearable working conditions other elements included public humiliation for poor performance and living in crowded dormitories (Chamberlain, 2011; Knowles, You, M, & You, T. (2016); there were cases of about 42 minors working after an audit as documented by Barboza (2009); and the audits confirmed that 24% of

the factories didn't meet Apple rules on involuntary labor while 30% disobeyed the benefit and wage rules (Chamberlain, 2011).

The gruesome working conditions at Foxconn included human value infringement by Foxconn management personnel with cases such as the one reported by Fortune on the death of 25-year-old Sun Danyong, an employee that was beaten up for a missing iPhone prototype and later jumped to his death from 12th floor apartment (Barboza, 2009; Elmer-Dewitt, June 27, 2009). The suicides continue to happen as reported by Forbes on May 23, 2010, that documented a 23-year-old employee who jumped to her death at the Longhua factory located in Southern China; this was the ten since January of 2010 (Chang, 2010). Multiple cases of suicide are constantly reported to give you a pictorial; in the publication by wired.com they documented 90 million iPhones and 17 suicides (Johnson, 2011); an explosion in May of 2012 killed 4 people and injured 18 (Duhigg & Barboza, 2012); August 7, 2015, a 28-year-old male committed suicide in a plant that was visited by CEO Tim Cook (McCarthy, 2015); and most recently 31-year-old made jumped off the Foxconn Technology group L03 after finishing his shift (Dou, 2016).

The Danyong suicide and others both successful and unsuccessful were all part of why Foxconn implemented a new policy of mandating employees to sign an anti-suicide pledge that documents in the event they do commit suicide the company won't be held liable (Heffernana, 2013). The signing of the document was to help the company to maintain its reputation and the ability to remain steady in its operation; the company was forced to remove this policy after rebuking from media and public and proceeded to install safety nets (Heffernan, 2013). Besides the suicides, another human value infringement at Foxconn is the injury caused to 137 employees for their involvement with the use of toxic chemical n-hexane in 2009 to produce Apple's signature slick glass screens for the iPhones at the Wintek plant (Barboza, 2011). The chemical had elements of narcotic that contributed to a disruption of the human central nervous system alongside the induction of muscular atrophy and vertigo with testimony by an employee that the chemical contributed to his weak limbs and sweaty palms (Barboza, 2011).

The suicides increasing rates upset consumers and attracted high alert media scrutiny and even cases where the reporter was assaulted by Foxconn security while the China police noted that the Foxconn had a special status in China (Elmer-Dewitt, February 27, 2010). In regards to the suicide rates; to quote Steve Jobs when asked about the suicides he noted in Fortune *"although every suicide is tragic, Foxconn's suicide rate is well below the China average. We are all over this"* (Elmer-DeWitt, June 01, 2010). A statement which Steve Jobs emphasized meant that he and his team were addressing

the Foxconn suicides and as documented by Fortune that World Health Organization noted that China's suicide rate was at 13.9 per 100,000 people while Foxconn's population of 450,000 workers had nine suicides (Elmer-DeWitt, May 26, 2010). In another publication by Daily Mail in the UK; Steve Jobs defended Foxconn, noting that it couldn't be compared to a sweatshop because the facility contained movie theaters, hospital, restaurants and said it was nice (Daily Mail, 2010).

The magnitude of Foxconn employees has raised to 1.3 million employees when Apple is on peak production thus making Foxconn the world's biggest private employer in the world (Reuters, 2016). While Apple's promises to police Foxconn haven't made much improvements because the suicides are still occurring today and Foxconn is still the manufacturer for Apple products. In a publication by Fortune, Foxconn made promises to make improvements to the conditions in their labor force yet there still suicides occurring (Reuters, 2016). In this research, I ask a simple question, how can employees be treated ethically and be sustainable while Foxconn and Apple also reach objectives and be sustainable? Will it take the removal of manufacturing jobs from China to other locations? The Chicago Tribune reported that Foxconn implemented new systems to track time worked, wages paid, and employee expenses; the implementation has helped the Foxconn in compliance with overtime regulation (Oster, 2016).

2.4 Unethical conduct under Nike

In comparison, to seek for cheaper labor, Nike moved its factories from Taiwan and Korea to emerging markets that included Vietnam, China, and Indonesia (Nisen, 2013; Wazir, 2001). Not long after the outsourcing occurred did Nike get tangled with unethical conduct behind their name. Nike's unethical conduct dated back to 1991 when Jeff Ballinger documented Indonesia's poor working conditions and low wages of 14 cents an hour; similarly, at the same time frame cases of sweatshops were also reported under the Kathy Lee Gifford clothing line (Strom, 1996).

Nike a huge conglomerate with 5000 global workforces in 55 countries was under scrutiny in the 90's under the leadership of Phil Knight as the chairman for running sweatshops where workers lived in inhumane conditions; minors were employed; there was forced overtime; cases of verbal abuse and sexual favors for jobs among others (Daily Mail, 2011; Wazir, 2001). Additionally, Nike's unethical incidents included child labor that was documented by a photograph of Pakistani child sewing football; toxic fumes in the Vietnam factories; an incident that occurred more than 177 times among others (Wazir, 2001). In 1997 protests including those arranged by college students continued to increase to demonstrate their concern of arbitrary abuse, slave

wages, and forced overtime; these demonstrations contributed to Nike's 1998 moving forward to providing wages that were sustainable, adapting United States Occupation Safety Health Administration (OSHA) regulations in factories, and adding measures to monitor factories (Nisen, 2013). Nike continued in 2002 to 2004 with the repetition audits on over 600 factories and made public the companies it contracted out to, this was followed with a 108-page documented report that detailed pay and factory conditions (Nisen, 2013).

The events occurring in the Nike factories turned the spotlight to the chairman Phil Knight who then proceeded to promise to fund research by 4 universities on Nike's business practices; implementation of loan program to benefit Thailand, Pakistan, Vietnam, and Indonesia to 4000 families; expansion of free worker education; integration of non-governmental monitoring and reporting inspection public; elimination of child labor by requiring 18 years for Nike shoe and 16 years for clothing; and the improvement of factories to meet United States air standards (Canizares, 2001; Cushman, 1998; Wazir, 2001). Boycotts and Anti-Nike mantras continued to occur and Nike proceeded to confess in the exploitation of works (Balko, 2003; Wazir, 2001). Reports confirmed that Nike's new implementations as shared by chairman Phil Knight didn't contribute to the factory employee's well-being because employees continued to be treated unethically with low pay; faced by humiliation in front of co-workers; working over 70 hours weekly; and those who refuse to work extra workers were faced with threats of dismissal (Singam, 2000; Wazir, 2001).

Nike is an example of a company that executed one of the vastest image transformation in recent years and today (Garber, 2015; Nisen, 2013). Change by Nike of the working conditions was forced on by the media when 600 factories audited and over the years we have seen gain its market share back and has been transparent with consumers with its consumers by reporting the companies they seek to or are outsourcing to (Bango, 2014; Peterson, 2014; Wazir, 2001). Nike has since worked on its tarnished name starting with the 1999 creation of the Fair Labor Association; audits in over 600 factories in 2002 to 2004; the introduction of detailed reports on transparency in 2005 all which were part their road to redemption (Greenhouse, 2012; Nisen, 2013).

Nike has proven that change can occur within the outsourcing facilities by taking responsibility instead of denying allegations. Nike has since gained customer loyalty; their net sales have been seen to increase (see Appendix D) with a 12% in 1990, a \$27.8 billion in revenue in 2010, and a projection to reach \$50 billion in 2020 (see Appendix E (Kish, 2015). Companies wanting to outsource to global platforms can learn from Nike and how they did a turnaround and a survey confirming that millennials named Nike

one of their favorite brand beating Nintendo, Coca-Cola, and Apple and teens choosing Nike as their preferred brand for footwear and clothing (Lutz, 2015; Nisen, 2013).

2.5 Cisco unethical business practices in outsourcing

On the contrary, Cisco networking and Technology Company founded in 1984 outsourced the mundane production to third party companies located on global platforms; the outsourced activities included testing of the functionality of component boards and stuffing parts into the circuit boards (Paulson, 2002). The production of their wireless access points, routers, switches, servers, and video conferencing screens was done by the facility in Mexico (Ammachchi, 2016) and other outsourcing was done in Chennai in South India with a focus on services resources and software development (Laha, 2017; Ribeiro, 2006). Cisco took the route of downsizing by outsourcing (Duffy, 2009); this meant that jobs in the United States would be cut thus making the layoffs within Cisco Systems to be unethical because the layoffs were correlated to active outsourcing to meet Cisco current restructuring (Steele, 2017).

The unethical conduct was also associated with the layoffs while CEO that gets 80% raise; such events of outsourcing are considered to sweatshop culture (Steele, 2017). In the case of working to meet the demands of today's competitive market; Cisco has the transition from hardware to a software company to this there have been several layoffs for example 20% (14,000 employees) were laid off in 2016 as reported by Fortune (Reuters, 2016). The layoffs, although considered to be unethical continue to today with the latest update of 1,000 workers to be laid off in 2017 (Steele, 2017).

2.6 IBM unethical outsourcing business practices

Similarity, International Business Machines (IBM) founded in 1911 with the focus on computer hardware, software, and middleware manufacturing alongside offering services in consulting services in nanotechnology and mainframe computers (IBM, 2016) started outsourcing to add skilled talent and save cost (Bloomberg, 2006). IBM's involvement in unethical conduct is correlated to the restructuring and outsourcing workforce with layoffs of over 4000 positions in 2009 with some documentation from CNN noting the outsourcing to India to be as high as 5000 jobs (Duffy, 2009; Snow, Rizzo & Foley, 2009).

IBM restructuring was considered unethical, yet they continued with more than 70,000 layoffs by March of 2016 at that point the remaining workforce was at 377, 757 at 18% (Bort, 2016). IBM was also accused of being unethical in their conduct of layoffs with the decision to now reduce the employee severance pay to one month from the previous package based on the number of years of service (Bort, 2016). The outsourced

jobs were moved to India where an average analysis with roles that included acquiring of data, interpretation, and developing and implementing databases is paid \$17,000 in comparison to \$100,000 in the United States; the move was in an effort to save on cost (Bryne, 2013; Snow, Rizzo & Foley, 2009).

2.7 Walmart unethical outsourcing to global platforms

In contrast, Walmart, the retail giant was founded in 1962, and as published in Huffington Post the company prided itself with a slogan that noted “*always low prices*” and later years transitioned to say “*save money. Live better*” (The Star, 2007; Mul & Rosenwald, 2011). To shift the burden off the retailer, Walmart drove down their wages per employee in the supply chain by outsourcing warehouse jobs in the United States (Jamieson, 2012); and even the outsourcing of 11,200 jobs of employees involved with in-store product demonstration (Fernando, 2010). Walmart also outsources to global platforms that include manufacturing in China with more than 10,000 companies; the use of foreign labor saves cost and contributes to the sustainability of the workforce in the global platforms but impacts the sustainability of the United States workers (Rao, 2014).

The documented unethical conditions included low wage as low as 59 cents per hour and payment at lower rate for overtime hours; workers forced to work faster and not compensated for the production; delay in payment and no pay for those who terminate their employment within those 2 weeks of delayed pay (Chan & Unger, 2011). Harvard law documented children sewing clothing for Walmart with incidents that included beatings, exhaustion, forced work hours of up to 19 to 20 hours shifts, 6 ½ cents an hour (Harvard, 2006). The scrutiny from the public was that the slogan “*everyday low prices*” was directly related to the workers who had to pay the price of not being adequately reimbursed for work done (Chan & Unger, 2011). In 2012 the Bangladesh fire that killed 112 workers was not only sewing for Walmart but other United States companies that included JC Penny, H&M, Gap among others (CBS news (2012); and another building collapse killed over 1,100 workers in Bangladesh (Kasperkevic, 2016).

2.8 Outsourcing and Companies

Outsourcing work to an outside firm for the benefit of skilled labor and cost benefit is a process that several companies have taken and will continue to pursue to stay afloat in our competitive market. When much of people including myself hear the word outsourcing, we scowl and immediately think of sweatshops in manufacturing (Kokemuller, 2017). The companies that outsource are at times entangled with media

hellholes like Nike in the 90's as the production facilities they outsourced to run with no enforcement in ethical labor standards like the United States because of the documented cases that workers are subject to poor working conditions and unfair labor wages (Kokemuller, 2017).

When companies outsource they aren't obligated to release their outsourcing statistics; ITI Manufacturing 2014 documented that the top five companies that led in manufacturing in 2014 included Apple; Nike; Cisco Systems; Wal-Mart; and IBM with their current revenue listed in Appendix B (ITI Manufacturing, 2014). Appendix B details a visual of the respective company's revenue today with Walmart as the leader followed by Apple, IBM, Cisco, and Nike. This research will take an in depth look at Apple outsourcing in comparison to Nike, IBM, Cisco, and Walmart (Walmart, 2016; Nike, 2016; Cisco, 2016; IBM, 2016; & Apple, 2016). The selection of this research was driven by the recent documented unethical events happening in the outsourced manufacturing factories especially suicide within Apples Foxconn factories; the research will compare the top 5 companies in manufacture outsourcing by exploring documented publications.

3. Method

3.1 Purpose and Procedures

Not all companies that outsource pursue global platforms, but for this research, the prominence points to address are correlated to the unethical conduct in global outsourcing. The researchers' objective was for an opportunity to acquire and understand millennials perspectives on the integration of individual moral values with ethics and millennials personal implications on sustainable development in Apple's manufacture outsourcing. The interviewed population for the research was millennials ages 18 to 34 who are today's highest shoppers as documented by USA Today and will compose much of the workforce by 2020 as projected by Forbes.com (Blumethal, 2016; Hyder, 2016). Specifically, the selection of millennials of 20 participations provided an opportunity to deepen an understanding millennials perspectives on the integration of current leader's individual moral values with ethics in today's organizations for sustainable development. The research focused on millennials because of their adoption of smart devices with 85% ages 18-24, 86.2% ages 25 – 34, 72.4% females, and 70/3% makes (see Appendix A) owning smartphones as confirmed by Nielson as reported in TechCruch (Perez, 2014). The millennials perspective was essential to research and document as they will hold most of the positions in the workforce by 2020 as confirmed by Fortune (Hyder, 2016).

Qualitative case research was appropriate for the research on manufacturer outsourcing research because unlike quantitative data that analyse numeral data; qualitative research allows for in-depth examination of the conditions for each factory used by the five companies (Maxwell, 2008; Merriam, 1998). Interview questions (see Appendix F) were utilized to gain insight on millennials in Northern New Jersey United States perspective on the integration of individual moral values with ethics and millennial perspectives on sustainable development in manufacture outsourcing. To obtain dependable feedback from the 50 purposely selected millennials were notified others approached in person at local eateries such as Panera bread and Starbucks to consent to the research. The total sample of 50 possible participants that was approached only 20 participants acknowledged being part of the research giving their consent in writing. The 20 participants with a population description of 12 females and 8 males were provided with the interview in person; the interviews were conducted on several dates based on the participant's availability in the spread of 6 days. The specifics of the interviews include 3 interviews on May 23, 2017 in the time range of 10 AM to 1 PM, 5 interviews on May 24, 2016 in the time range of 12:30 Noon to 7:30 PM, and 2 interviews were conducted on May 25 in the time rage of 12 noon to 3:00 PM at the Panera bread location in Northern New Jersey, United States. The reminder of the interviews were done on May 26, 2017 at 3:00 PM to 8:00PM where 4 interviews were conducted, May 27, 2017 at 11:AM to 1:00PM where 3 interviews were conducted, May 28, 2017 where 3 interviews were conducted between the time of 5:30 PM to 6:45PM in the Starbucks location in Northern New Jersey, United States. The obtained data were cleaned, coded as Interview Question (IQ) 1; IQ 2 to IQ 20; and analyzed using NVivo 11.

4. Research Findings

4.1 Millennials Perspectives on Apple Manufacturing

A. Interview question 1: As an owner of Apple product (s); are you aware of the factory working conditions? The results of this question confirmed that the 20 millennial participants weren't aware of any unethical practices that occur in the Foxconn factory setting where Apple products are manufactured. IQ3 shared that *"I am not aware of the factory working conditions; I only buy their products because I think they are the best technology service."* The twenty millennial participants shared their understanding of outsourcing to China but expressed their shock of the unfair working conditions that included forced overtime with low pay and pressure to work that

contributed to workers committing suicide but were yet people lined up to get jobs with Foxconn.

The research results from millennials confirmed that they understand the outsourcing to China to offer workers access to sustainability as they work and support self and families (Forbes, 2012). Millennial participants also shared that the outsourcing by Apple helps them to enjoy quality products at an affordable rate unlike if the products were manufactured in the United States (Forbes, 2012). The millennials shared that affordability of Apple products by over 1 billion users worldwide doesn't excuse the way the employees are treated at Foxconn; Steve Jobs told President Obama during their 2012 interview that the jobs will not come back to United States (Forbes, 2012). Participant shared that this could be correlated to the United States strict labor laws that wouldn't permit such unfair working practices.

B. Interview question 2: What are your reactions to the unethical conducts occurring in factories? Millennial participants were heavily concerned with the workers' unethical treatments in the factories. The interview results included participant IQ7 who shared *"the workers should not have to work in conditions like that"*, IQ12 shared *"I thought it was extremely inhumane and not something I knew about"*, and IQ18 shared *"I think it's scary knowing what goes behind the scenes of the technology I use every day."* Other millennial participants shared their concern on the unethical conduct with IQ20 sharing *"I was really disappointed of the working conditions in the factory, I wouldn't imagine that Apple being such a big company let that happen and live with such unethical conduct behind scenes."*

The millennial participant shared their understanding that part of the elements that keeps the production in China is correlated to capacity for China to handle mass production; accessibility to skilled employees and design engineers; and if compared to the United States there isn't ample skilled labor to produce at the scale of China (Goldman, 2012; Varinsky, 2012). To give you a realistic figure of what Apple manufacturing would require producing the same volume in the United States as is now in China to be as noted by the Business Insider publication; it would take all employees currently working for Ford, GM, and GE; the number would still be 20% less than the 4 Foxconn factories that support Apple manufacturing (Varinsky, 2012).

In comparison to China, United States has strict policies on factory working conditions; important key elements to mention that President Obama noted in the interview is that the low wage and low skilled jobs wouldn't be coming back to the United States has a direct correlation to the labor laws that don't support low salary of \$18 a day that employees make in China (Goldman, 2012; Dehigg & Bradsher, 2012). Apple confirmed of its direct employment of about 700,000 manufacturing workers and

the impossibility to transition those jobs to the United States; on top of do you that think that Apple products are expensive now; think again as the current price of the Apple products would see a hike off about \$65 to \$100 per device if the products are manufactured in the United States (Goldman, 2012; Varinsky, 2016). Millennial participants frowned at the unethical conduct; analysis conducted by MIT Technology Review confirmed that global sourcing of components and assembly of Apple products in the United States would hike the price to 5% \$230; raw materials from global platform and making of components in the United States would add \$30 or \$40 based on cost of making device (Varinsky; 2016).

C. Interview question 3: After learning about Apple's choice manufacture outsourcing and the conditions; would your decision to purchase Apple products in the future be swayed? This question had mixed results with 85 % participants saying would continue to purchase Apple products and 15% saying they wouldn't purchase products with companies that aren't ethical in their sourcing practices. Millennial participants shared their reluctance to purchase Apple products after this interview *"IQ3 shared "yes my decision to purchase Apple in the future would be swayed and would never purchase their products."* Participant IQ16 shared that *"No, a lot of other companies have their products made there too, like Dell and HP so it's a matter of choosing between bad and bad."* IQ19 shared that *"sadly no, because am too accustomed to the phone and Apple products."* IQ11 shared *"I will not let stop buying Apple as I am accustomed to it and I like it a lot, I will probably only make awareness to increase the working conditions."*

Millennial participants shared their understanding to stay competitive, and gain markets share that companies outsource to become prevalent these days and Apple isn't the only company caught in the public turmoil. In comparison, the apparel manufacturing done in the United States have also shipped their manufacturing overseas and if brought back will see a higher hike in price per garment because of the United States labor laws. As reported by an IHS analyst conducting a comparison to Made in American premium denim sold online for \$348; the labor rates in Vietnam at \$2.50, Bangladesh at \$1.80 an hour would not be what the United States employees would be paid, that can range from about \$25-\$30 per hour and take account the hours to make each garment the price per item could easily increase to \$25 per item in manufacturing cost (Varinsky; 2016). On the other hand, the sneakers industry has about 97% to 99% of its items made in Asian countries with an exception of some New Balance shoes with a price range of \$65 to \$399; which is a confirmation that brands that solely manufacture in the United States are high priced (Aeppel, 2014; Varinsky, 2016). What about another similar brand Reebok that manufactures some items in the United

States with the price range of \$80 and \$165 and a Postal Express line made in the United States with a price of \$167 to 230 (Kell, 2016; Varinsky; 2016).

D. Interview question 4: Would you sleep at night if you were the executive running the factory where unethical conduct is occurring? Ninety percent of the interviewed millennial participant shared that they would still be able to sleep at night even though the products are made in unethically managed environments while 10 % shared they wouldn't be able to sleep. IQ16 shared *"I would try and change things, but not personally tear myself apart,"* IQ10 shared *"...it's upsetting to think about but I would still be able to sleep at night,"* and IQ14 shared *"I would not sleep at night with such unethical conduct."*

As you can see, the millennials results confirmed that the working conditions couldn't impact their decision as executives who outsource to global platforms and would sleep at night. The participants' results were correlated to the cost of manufacturing in the United States being too expensive as reported by Forbes, it would cost up to \$4.2 billion for Apple to transition its manufacturing back into the United states and pay a corporate tax of 35% in comparison to 2% of what they pay and clearly this isn't something Apple is looking to do now (Worstell, 2013). Also, the attraction to outsource is not solely based on the cheap labor cost but the access to ample industrial skilled manpower, diligence, and the flexibility all of which are important to Apple thus making China appealing to outsource to (Duhigg & Bradsher, 2012). The stated elements are part of why Apple was moving their manufacturing in the United States is far from reality at this moment because the labor laws don't allow for long hours, excessive overtime (at times without pay), lack of safety regulations among others which are prevalent in China and other global platforms. The participants shared that they can sleep at night as executives because uprooting the jobs from China to another location would be unethical as those employees who are currently working in the facilities will lose jobs thus not be able to sustain themselves and Apple would be forced to spend more money to set up their facilities in other locations.

E. Apple Transformation for the Better: Interview question 5: Considering your own individual moral values, what would you integrate in the existing manufacture outsourcing practices to adhere to ethics and sustainability? All the 100% millennial participant agreed to change the unethical practices in all factories. IQ12 shared *"I would make sure the workers would be treated properly and were given enough resources and space as well as make sure that they have a sense of community."* IQ1; IQ4; IQ10; and IQ13 shared *"...address the unethical practices and increase the comfortability between people in the factory."* IQ18 shared *"I would at least give them humane conditions, fair pay, and employers who aren't abusive at the least; the working conditions were just unethical and not human or correct."*

Millennial participants shared that outsourcing to global markets comes with challenges and simply documenting policies and procedures for the company you have hired to conduct the work on your behalf doesn't put a stop to human value infringement. In the case of Foxconn, Apple did set the policies but monitoring their actions around the clock became an ultimate challenge as the working and living conditions continued to deteriorate and employee suicides didn't cease even after the installation of suicide nets (Chmielewski, 2015). The pressure is still ongoing for Apple to move its production to the United States; it's easier said than done; will the American consumer be willing to pay more for the product that is already considered to be expensive? Nike could change its image; would Apple be able to do the same?

4.2 Research limitations

The research limitations related to the succeeding (a) participants from the millennials age group 18 – 34, (b) participant views on manufacture outsourcing, and (c) limited to execution of interviews. The research was limited to millennials to capture their view on how individual morals could be integrated to ethics for sustainable development in the manufacture outsourcing. Participation of this research was voluntary with a response rate of 20 participants out of the 50 that were approached. The limited sample size was a small representation of Pew Research Center confirmed data of 75.4 million millennials in the age range of 18-34 in 2015; a generation that outnumbers the baby boomer generation in the age range of 51-69 at 74.9 million (Fry, 201). Millennial participants were reluctant to partake in the interview process; future research could interview a larger population of the millennials to increase validity of the existing research. Future researchers could expand on the research by selecting other generations outside the millennials and use exiting research findings to compare and cross-examine for in-depth understanding on individual moral values integration to ethics and sustainable development within organizations.

5. Conclusion / Discussion

The researchers' objective was for an opportunity to acquire and understand millennials perspectives on the integration of individual moral values with ethics and millennials personal implications on sustainable development in Apple's manufacture outsourcing. The interviewed population for the research was millennials ages 18 to 34 who are today's highest shoppers as documented by USA Today and will compose the majority of the workforce by 2020 as projected by Forbes.com (Hyder, 2016). The findings confirmed that there existed mixed perspectives by millennials on the connotation with

the unethical conditions in Apple's selected outsourcing factories. All the millennial participants were not aware of the Apple sourcing factory working conditions and were all in agreement that the unethical conducts occurring in factories were unethical. After learning about Apple's choice manufacture outsourcing and the conditions 85% of participants noted they would continue to purchase Apple products in the future but 15% of the participants noted their decision would be swayed depending on unethical practices.

As millennials that will dominate the workforce by 2020 as reported by Fortune (Hyder, 2016); as executives, 90% would sleep at night while 10% shared they wouldn't sleep at night if they were the running the factory where unethical conduct is occurring. Hundred percent of the millennial participants would integrate their moral values to existing manufacturer outsourcing practices to adhere to ethics and sustainability of workers. The study findings confirmed that the respective leaders in organizations individual moral values contribute to the adherence of ethics for sustainable development in manufacture outsourcing. Specifically, the research confirmed that when individuals lack a strong foundation in their moral values they don't put emphasis on ethics thus are minimally concerned with unethical conduct that would diminish the sustainability within that group and the entire corporation (Brass, Kenneth, Butterfield & Skaggs, 1998; Jones, 1991).

Research by Treviño, Hartman, & Brown (2000) confirmed that ethics in leadership is associated with behaviors, perceived traits, and role modeling with an ultimatum of reduction in unethical conduct while promoting employee dedication, minimized legal concerns, and unethical conduct. Research results also confirm that organizations should conduct analysis to see if employees hired best fit for their organization culture by conducting psychological testing and matching everyone to their specific strengths. The psychological analysis and matching of employees would help the organization identify the employee foundation morals, strategically position them to fit the overall big picture, and remain ethically sound and sustainable (Hogan, 1973).

The research findings confirmed that Apple's stinging spot among consumers was the choice to conduct business with the China Foxconn company as they have documented sweatshop cases that include wrongful treatment of workers and multiple deaths. The emphasis of long working hours with a minimum wage that is documented to be below \$1.00 an hour was beyond imaginable by the research participants who noted that if Apple would be sanctioned not adhering to labor laws if they manufacturing in the United States. To ensure sustainability of employees in China, Apple will have been stringent in their choice of outsourcing factories to use and adhere

to their codes of conduct as such unethical conduct within the factories will take years to streamline.

Similarity to the Nike sweatshops in the 90's; the negative media publicity on the Apple scandals has contributed to Apple's acknowledgement and documentation in multiple public online platforms that their worldwide suppliers employ millions of workers and they recognize the problem at hand and are moving forward to working closely with suppliers to promote ethical and sustainable organizations (Apple Inc, 2016). The designed programs include Apple's investment in training and education to their suppliers; environmentally sound manufacturing, fair wages, safe working conditions for today and future generations. To meet their highest quality standards set forth, Apple set forth a stern code of conduct and continuously monitors and updates them to raise the bar higher and higher to minimize unethical conduct (Apple Inc, 2016). Apple strongly believes that offering support, education, and training to suppliers while closely monitoring of environmental sustainability measures by integrating programs to address waste disposal and switch to renewable energy; safety and health, and human rights and labor standards followed by setting higher standards will contribute to an ethical organization that is sustainable (Apple Inc, 2016).

Additionally, Apple emphasizes that they continue their commitment to outsource ethically and will work with their suppliers and are publishing their supplier commitment online for transparency that included a 98% compliance for 60-hour workweek (Apple Inc., 2016). Other major progress includes the 2.4 million training on employee rights in 2016; being environmentally sustainable by saving 3.8 billion gallons of water in 2016 from 8 billion usage in 2013; and 200 K metric waste diversion from landfills in the 2016 audit among others as noted in Apple Inc Supplier Responsibility (Apple Inc, 2016). For the environmental sustainability, Apple also announced their partnership SunPower Corporation in China to 40 MM solar panel projects (John, 2015). The element of individual morals integration with ethics for sustainable development is addressed in this research by participant perspectives who noted that their upbringing contributed to their moral values. The participants also shared that how one acts today are directly related to how they were raised and what morals were instilled in them at the young age. Messick and Bazerman (2001) research noted that decision making and ethical leadership is correlated with three theories that include world theories, other people theories, and ourselves about individuals. In these stated theories, the theory about ourselves as individuals was focus of this research, an ethically sound individual's foundation contributes to ethical leadership that is well rounded and thus a direct correlation to leaders who conduct themselves in an ethical manner, make ethical decisions, and be sustainable (Paine, 1994)

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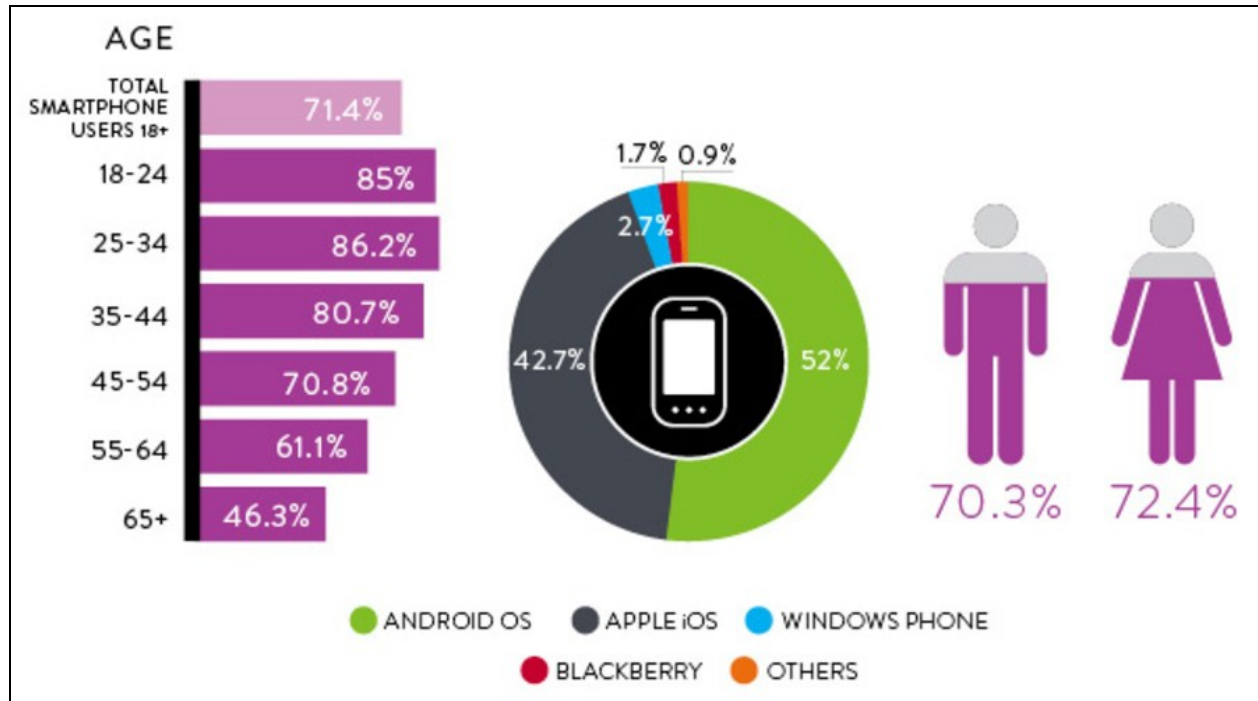
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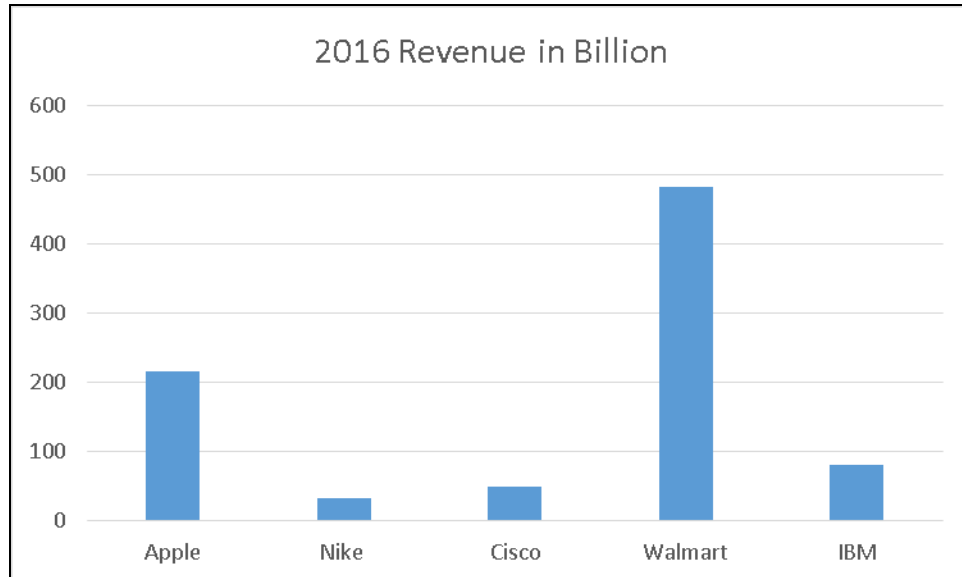
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Appendix A: US Smartphone market share by age, operating system, and gender.



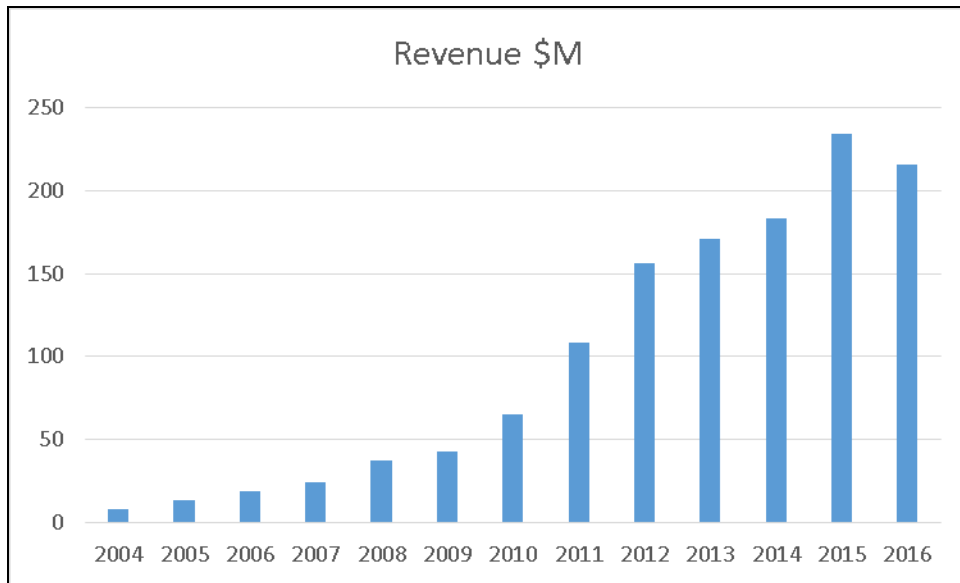
Source: (Nielsen, 2014); (Perez, 2014) Total Smartphones Users in USA

Appendix B: Revenue in Billions for top 5 companies that outsource



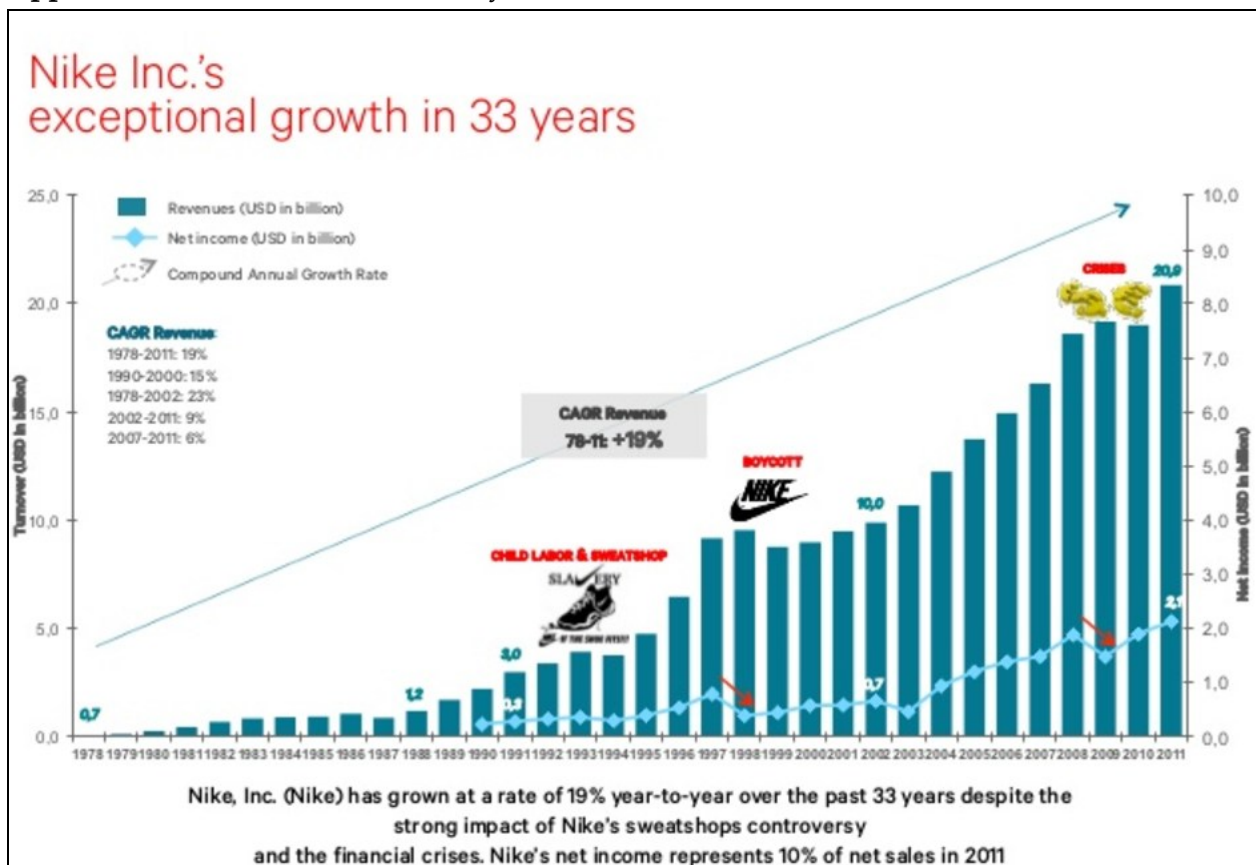
Source: Apple (2016); Nike (2016); Cisco (2016); Walmart (2016); IBM (2016).

Appendix C: Apple iPhone Unit sales



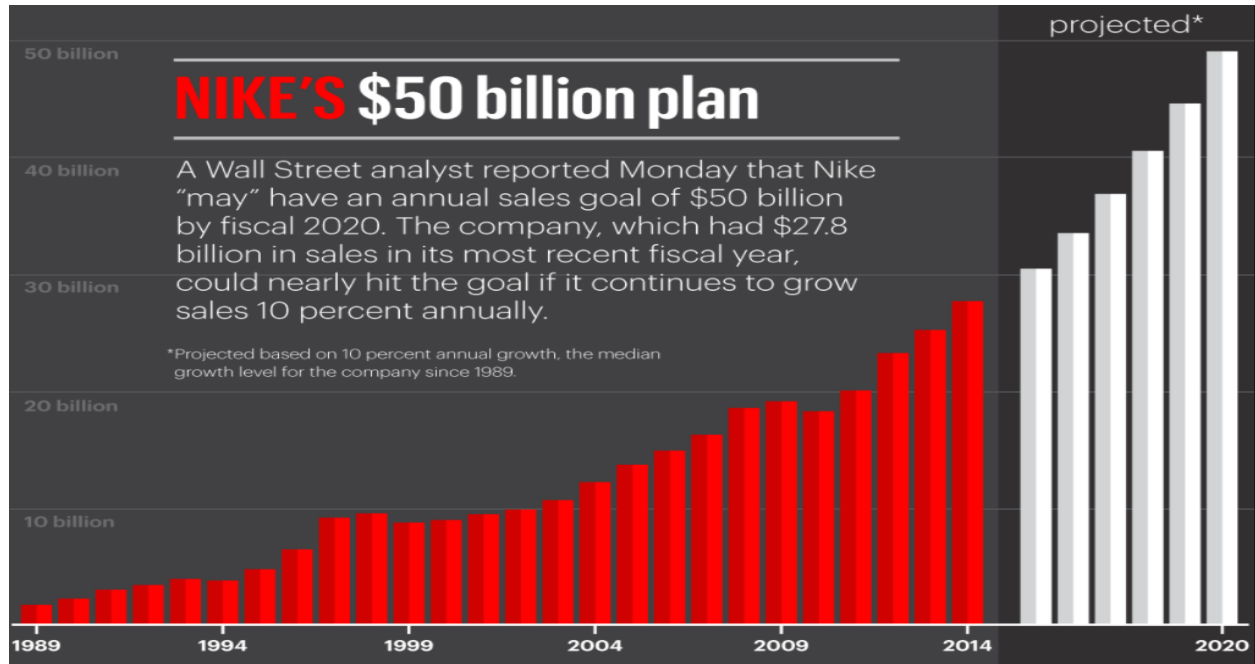
Source: Rosoff. (2016) Business Insider & Statista

Appendix D: Nike Growth in last 33 years



Source: Helixa (2013)

Appendix E: Nike Revenue Projection



Source: Kish, M (2015). www.bizjournal.com

Appendix F: Interview Questions

1. Do you own an apple product and are you aware of the factory working conditions?
2. What are your reactions to the unethical conducts occurring in factories?
3. After learning about Apples choice manufacture outsourcing and the conditions; would your decision to purchase Apple products in the future be swayed?
4. Would you sleep at night if you were the executive running the factory where unethical conduct is occurring?
5. Considering your own individual moral values, what would you integrate in the existing manufacture outsourcing practices to adhere to ethics and sustainability?

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